

## LIFE-LONG LEARNING IN FINANCIAL FAMILIES

Change is a given in all financial families. Sources of wealth change, as do the means of creating and preserving that wealth. Generations of children are born, grow up, and raise their own families. Patriarchs and matriarchs die, removing the strongest link holding most multi-branch families together. In a 1994 article entitled “Slow threats”, Peter Senge notes that the slow-moving menace of pollution or the gradual decay of family or community structures is as great a threat to survival as sudden, dramatic disasters, such as floods or earthquakes.

Many transitions financial families experience have life cycles that give some sense of predictability to change. However, some changes – both good and bad – are sudden and hard to predict. If financial families want to thrive from one generation to the next, three keys will help them manage both predictable and unpredictable change.

- Learn to thrive on change by adopting a life-long learning paradigm.
- Foster teams of authentic leaders and courageous followers within the family, its family office, its shareholders, boards, and philanthropic organisations.
- Link multigenerational life cycle and life style priorities to life-long learning programs designed to strengthen competencies that preserve both the family and its wealth.

A financial family may operate on assumptions about risk and investment strategies that served their grandparents or parents well. This approach will not, however, provide similar liquidity to their own grandchildren because their families have grown faster than their willingness to diversify investments, provide capitalisation for growth, and coordinate lifestyle priorities with investment strategies. Similarly, those assumptions may lead to missed opportunities to

fund and support the younger generation’s entrepreneurial efforts or their philanthropic choices. Based on her research of “wanna.dots”, Harvard professor Rosabeth Moss Kanter described a change sequence used by traditional companies that succeed as dot-coms. Regarding change, she noted that these pacesetters “begin with curiosity instead of denial, then move to questioning themselves (instead of blaming others), and quickly launch into experimentation (instead of lipstick). Their way is more ambitious, more likely to lead to systemic change, and more likely to produce further innovation. Even when pacesetters don’t get it right, they don’t get stuck”.

Like some wanna.dots, sometimes financial families get stuck when they are moving in new directions. They postpone leadership and followership development too long, linking it to control issues rather than to the preservation of the family and its wealth. In contrast, by testing assumptions, financial families get curious, thus opening the door to thriving on change. For example, within the parameters of a family’s culture, unspoken assumptions may give the message that being a “follower” has lesser value than being a “leader”, thereby heightening the potential for power struggles among family members or branches. When a family recognises the opportunity to address that assumption constructively, it explores how authentic leaders and courageous followers work together to ensure the family’s well being and the preservation of its wealth (see Table 1).

Multigenerational financial families who thrive on change recognise that resistance to change in the family may be related to broader anxieties about death, catastrophic illness, loss of control or loss of stature in the family or the community. They understand

*For financial families to flourish in a climate of change, both “leaders” and “followers” must work together to ensure long-term wealth preservation*

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**Authentic leaders\***

- Integrate beliefs and actions (“practice what they preach”);
- Are accountable for their own actions;
- Make mistakes and admit them;
- Do not always act “like a leader”;
- Are not seen as manipulators of people;
- Are ethical people first, administrators second.

\*Adapted from “Leader authenticity: Key to organizational climate, health and perceived leader effectiveness” by J E Henderson & S M Brookhart (The Journal of Leadership Studies 1996;3:87–103).

**Courageous followers\***

- Assume responsibility;
- Serve their leaders and organisation;
- Constructively challenge the leaders and organisation when something isn’t right;
- Proactively participate in transition processes;
- Recognise when it is time to leave (eg, retire, change role).

\*Adapted from *The Courageous Follower* by Ira Chaleff (Berrett-Koehler, 1998)  
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**Table 1: Characteristics of authentic leaders and courageous followers.**

that strained family relationships in one generation are often inherited by the next. They observe that family members’ aversions to risk and conflict impact shareholder and management effectiveness. These multigenerational financial families recognise the need to provide not only financial education but also the opportunities to learn how to make good decisions as individuals and as a family. Family cohesiveness and wealth preservation can be built in three interrelated ways.

- Integrate the family’s core values and its vision for the future with its business, investment and philanthropic missions in ways that allow its individual stakeholders to flourish.
- Create a holistic vision of how family, management, shareholder and philanthropic goals interrelate and can be mutually supportive; design governance systems to support that vision; and build inter-disciplinary teams to manage implementation of that vision. This can be supported by a “life-long learning map”, family mentoring and apprenticeship opportunities, and suitable feedback with clear measurement criteria to track progress.
- Define and respect boundaries or guidelines for behaviour (codes of

conduct) for the family, its managing directors, family office executives, professional advisers and shareholders that support those stakeholders’ need to address proactively the diversity of needs, expectations, life cycles and life styles that every multigenerational financial family experiences.

Financial families achieve the most from a commitment to life-long learning when individual family members link core values to expectations of themselves, their advisors, their managers, and their fellow family members and shareholders. Whether they function as followers or leaders, as students or teachers, individual family members learn more when they invest personal effort, when they get excited about the results of that effort, when they know how to measure and evaluate what worked well and what could have worked better, and when they can apply what they’ve learned to other situations. A financial family’s commitment to life-long learning does not affect the external opportunities and threats waiting around the corner *per se*. Rather, it encourages its individual members and the entire family system to meet those opportunities and threats with a clearer vision and increased strategic flexibility. ♦

